



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY  
DIVISION OF CONSUMER AFFAIRS  
BUREAU OF SECURITIES  
153 HALSEY STREET, 6TH FLOOR, NEWARK NJ

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TO: Registrants with the New Jersey Racing Commission

FROM: Franklin L. Widmann  
Chief, New Jersey Bureau of Securities

RE: Horse Racing/Training Syndications may constitute an offer or sale of securities under the Securities Law in New Jersey, N.J.S.A. 49:3-47 et seq.

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The Bureau of Securities has recently conducted a private investigation into horse racing and training syndications and it has concluded that certain practices of selling shares in horses for training purposes may constitute the offer and sale of securities which, if occurring in or from New Jersey must comply with the registration requirements of N.J.S.A. 49:3-47 et seq. Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq., any offer or sale of a security must either be registered with the Bureau or be exempt from registration, either because the security itself is exempt or the transaction is exempt (see N.J.S.A. 49:3-50). Similarly, the person or persons offering or selling the securities must be registered as an agent (of the issuer or a broker-dealer) as required by N.J.S.A. 49:3-49(b) and (c), except where certain specified exemptions provide otherwise.

The Bureau may view the practices of offering unregistered or nonexempt shares in Horse Racing/Training Syndications as a violation of the securities law. A first violation of the Law is subject to a maximum civil monetary penalty of \$10,000; the second and subsequent violations are subject to a maximum civil monetary penalty of \$20,000.

The Bureau would prefer to bring the Horse Racing and Training Industry into conformity with the securities law without the necessity of taking enforcement action. These practices appear to be widespread, but seem to have occurred due to a lack of knowledge or understanding of the securities laws.

The Bureau would advise the members of the Horse Racing Industry to consult an attorney to ensure any such activity complies with the Law either by registration, exemption or the discontinuation of these practices. Members should be cautioned that the Bureau plans to pursue appropriate enforcement action against those individuals and entities it determines have violated or are in violation of the registration requirements of the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq.

For more information, please contact the Bureau of Securities at P.O. Box 47029, Newark NJ 07102.

7/17/03

Date

Franklin L. Widmann  
Chief